

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505
NATIONAL FOREIGN ASSESSMENT CENTER

8 June 1981

The Honorable Lionel H. Olmer
Under Secretary for International Trade
Department of Commerce
Washington, D.C. 20230

Dear Mr. Olmer:

This is a follow-up to the letter to you from the DCI of 3 June 1981 in which we promised to provide you with information on the foreign availability of equipment which the USSR will need for the West Siberia to Western Europe gas pipeline.

The main items to be supplied for the pipeline are pipeline construction equipment (including pipelayers and earthmoving equipment), well-head assemblies, down-hole equipment, large diameter (56") pipe, and large compressors.

Pipeline Construction Equipment: Komatsu of Japan is the only foreign supplier that can provide pipelayers and the earthmoving equipment in the quantities needed by the USSR. The quality of Komatsu equipment is as good as that produced in the United States. The Soviets have used Komatsu equipment for a number of years for pipelines and other projects requiring earth moving.

Well-head Assemblies: [redacted] the Soviets will have to drill between 1,000 and 2,000 wells in arctic areas to produce the gas needed for the project and for domestic purposes in the period 1981-85. Low-carbon steel is needed for equipment used in an arctic environment and is manufactured by a number of European suppliers. [redacted] the number of non-US manufacturers that can build well-head assemblies for use in arctic environment. [redacted]

Down-Hole Equipment: [redacted]

A critical element in the down hole equipment package is the rubber packer which must withstand corrosive environments, extreme pressure and temperatures. Although a simple item, US packers are superior to all others.

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[redacted]

Large-Diameter Pipe: Japan, West Germany, and Italy have been supplying all the large diameter pipe imported by the USSR. The United States does not have any firm which produces the 56" pipe needed by the Soviets. The three foreign suppliers have the capacity to satisfy Soviet requirements for the line pipe.

Compressors: The USSR will require two types of compressor units -- the heavy industrial types and the lighter-weight aircraft types, the latter for use in the arctic. Compressors of varying sizes are available in a number of countries; most produce them under US license or are subsidiaries of US firms.

[REDACTED] The Soviets have imported several hundred US compressors. In the past and prefer them to compressors made in other countries. Those companies using the technology of the main US manufacturer can produce all the parts with the exception of the turbine rotor blades, which must be imported from the United States. If the US manufacturer provided the rotor blades to its foreign licensees or subsidiaries, the Soviets would be quick to place their order with them.

... [REDACTED] without cooperation from our Allies, the denial of licenses for US equipment will do little to delay completion of the gas pipeline. In those areas where the Soviets would prefer US technology -- e.g., compressors, well-head and down-hole equipment -- they could go ahead with the project without US participation, in effect making do with second-best technology. Foreign licensees of US firms could very well decide, despite their contractual obligations, to accept Soviet orders. Those licensees in a weak competitive position would be especially tempted to take this road. Nor is there any certainty that US subsidiaries would follow the lead of the parent company -- either because of pressure from the host country or permission from the parent firm.

Sincerely,

[REDACTED]
Director
Economic Research

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